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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JAN 2 1 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Petition of the SBC Companies	)	CC Docket No. 98-227
For Forbearance From Regulation	)	
as a Dominant Carrier for High Capacity	)	
Dedicated Transport Services in	)	
Specified MSAs	)	

AT&T OPPOSITION

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January 21, 1999

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Petition of the SBC Companies for Forbearance from Regulation as a Dominant Carrier for High Capacity Dedicated Transport Services in Specified MSAs	)))))	CC Docket No. 98-227

AT&T OPPOSITION

Pursuant to the Commission's Public Notice, DA 98-2509, released December 8, 1998, AT&T Corp. ("AT&T") hereby opposes the Petition of the SBC Companies for Forbearance ("SBC Petition"), filed December 7, 1998.

INTRODUCTION AND SUMMARY

On December 7, 1998, SBC petitioned the Commission pursuant to Section 10 of the Telecommunications Act of 1996 (47 U.S.C. § 160) to forbear from regulating SBC as a dominant carrier in the specified MSAs for special access services and dedicated transport services at speeds of DS1 and above. Specifically, SBC requests that the Commission allow it to (i) file tariffs on one-day's notice without cost support; (ii) offer contract-based pricing, including volume and term discounts and promotional pricing options; and (iii) to deaverage rates within the following MSAs: (1) Little Rock, AR; (2) Los Angeles, CA (including Orange County and Riverside); (3) Sacramento, CA; (4) San Diego, CA; (5) San Francisco, CA; (6) San Jose, CA; (7)

St. Louis, MO; (8) Reno, NV; (9) Oklahoma City, OK; (10) Austin, TX; (11) Dallas/Ft. Worth, TX; (12) El Paso, TX: (13) Houston, TX, and (14) San Antonio, TX.[1]

Section 10(a) of the Act requires the Commission to determine that a request for forbearance satisfies three criteria:

> (1) Enforcement of such regulation or provision is not necessary to ensure that the charges, practices, classifications, or regulations, by, for or in connection with that telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory;
>
> (2) Enforcement of such regulation or provision is not necessary for the protection of consumers; and
>
> (3) Forbearance from applying such provision or regulation is consistent with the public interest.

Under Section 10(b), the Commission must also find that the proposed relief will "promote competitive market conditions" and "enhance competition among providers of telecommunications services."[2] SBC's Petition clearly fails to satisfy these statutory requirements.

First, the SBC Petition conflicts with the Commission's policies favoring a market-based approach to access charge reform, and thus the Commission cannot find it in the public interest. Moreover, SBC's description of the state of the high capacity market in the 14 MSAs identified is fundamentally erroneous. Its study of competition for high capacity services in these MSAs is nothing more than a black box -- many important facts about the study's methodology are left unrevealed. The

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1 SBC Petition at 2.

2 47 U.S.C. § 160(b).

little information that can be gleaned about the study methodology makes clear that the study is severely flawed and substantially overstates competitors' market share. Finally, SBC erroneously claims that AT&T no longer relies substantially on its high capacity services in the specified MSAs. In fact, AT&T still purchases the lion's share of its high capacity services in these areas from SBC.

The Commission cannot conclude that forbearance is appropriate in the absence of market competition sufficient to constrain SBC's conduct. SBC has failed to show that there is such a competitive market. In light of SBC's continued market dominance, it is clear that it does not, and cannot, satisfy Section 10's three part test for forbearance.

Additionally, it is noteworthy that although SBC is seeking new forms of pricing flexibility, it is not even fully utilizing the considerable pricing flexibility the FCC has already given SBC for its high capacity services. Certainly SBC should use the competitive tools the Commission has already given it before asking for new ones.

For these reasons, AT&T requests that the Commission deny the SBC Petition.

ARGUMENT

I. SBC HAS NOT SHOWN THAT IT LACKS MARKET POWER IN THE SPECIFIED MSAs

SBC has not shown that most -- or even a sizable proportion -- of the high capacity customers in the specified MSAs enjoy fully effective competition in the provision of their high capacity services. Because such customers are unprotected from SBC's monopoly power over access, deregulation such as SBC now seeks would clearly be harmful to their interests and, at least equally important, to the public interest.

SBC's study purports to quantify the competitive market share in high capacity, facilities-based circuits sold by SBC and its competitors in 14 MSA's in SBC's region. It concludes that in these 14 MSAs, on an unweighted average, it has lost 38.2% of the high capacity market.[3] As demonstrated below, SBC's flawed study grossly overstates its share loss.

As an initial matter, there are several several serious shortcomings in SBC's methodology for defining and measuring the market that severely undermine the validity of its study. Significantly, SBC uses "equivalent circuits," not revenues, as a measure of market share. This approach is problematic for several reasons. First, SBC does not disclose how it defines "equivalent circuits," so it is not clear what the unit measure SBC utilizes is predicated upon. Absent a settled standard of measurement, the use of "circuit equivalents" is subject to significant manipulation. For example, US West, which filed similar petitions for the Phoenix and Seattle areas, and which relied on studies from the same firm relied on by SBC, stated that it used "equivalent DS1s" as its measure.[4] As pointed out in AT&T's opposition to the Phoenix petition, using

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3 See Attachment A to SBC Petition at p. 5.

4 See Petition of US West Communications, Inc. For Forbearance from Regulation as a Dominant Carrier in the Phoenix, Arizona MSA, CC Docket No. 98-157 (Oct. 28, 1998); In the Matter of Petition of US West Communications, Inc. for Forbearance From Regulation as a Dominant Carrier in the Seattle, Washington MSA, CC Docket No. 99-1 (Dec. 30, 1998).

that measure would vastly overstate SBC's share loss because the loss of a single DS3 is viewed as the same as the loss of 28 DS1s, while the price of a single DS3 may be only two to three times the price of a DS1, so the revenue loss of a DS3 is vastly overestimated by the use of the equivalent DS1 measurement.[5]

Second, SBC's purported justification for failing to utilize comparative revenues is highly suspect. On the one hand, SBC states that prices are "too volatile" to be used as a benchmark.[6] On the other, SBC asserts that a revenue comparison would reflect largely the same result as the circuit equivalent survey.[7] If the latter were true, it would certainly make sense to include a revenue analysis as a check on SBC's ill-defined circuit methodology. SBC's failure to include such information is telling.

There are other problems with SBC's study methodology as well. Although SBC states that it relied on surveys and interviews of the CLEC market segment,[8] it discloses no information about the sampling size for such surveys. Moreover, although historical trend analysis was used to evaluate the DS1/DS3 provider and transport market share, no specifics were provided regarding the historical period used, or the factors accounted for in predicting market development. The report begs a number of questions, including:

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5 AT&T Opposition (Phoenix Petition) at 7.

6 Attachment A at 48, SBC Petition at 14, n. 42.

7 Attachment A at 48.

8 Attachment A at 46.

- What time period was used to develop the trend analysis, and is it reflective of the current CLEC marketplace?

- What role did such market aspects as product life cycle stage, product price history or market penetration of cross elastic services play in the setting of market trends for high capacity services?

- How were outside influences like regional economic strength, number of buildings available, or occupancy rates measured?

The net result of these methodological flaws is a significant exaggeration of SBC's market share loss. For example, it is likely that SBC failed to account for the physical geographic network constraints of the CLECs. Facilities-based CLECs typically serve customers residing along the CLEC's urban fiber ring, which limits the reach of competitive penetration to those buildings within that MSA. None of the CLECs identified in the petition has built networks to cover the entirety of the MSAs listed in the petition. Thus, if SBC's surveys were concentrated among end users in those buildings "on net" and these results were extrapolated to estimate market shares for the entire MSA, the results would grossly inflate the reach of competitive penetration.

In addition, in all of the MSAs in the pre-merger SBC ("SWB") territories at issue, when AT&T purchases high capacity services from an alternative supplier in SWB's territory, it purchases "Type 4" access. This means that the CLEC provides the connection from AT&T's POP to the nearest SWB wire center, but SWB still provides the connection from its wire center to the customer's premises. Thus, while competitors may handle some of the transport, the overwhelming majority of the transport is still handled by SWB. In addition, all of the multiplexing functionality required to complete the call is handled by SWB. In the end, then, SWB still gets the lion's share of the revenue associated with the access expenditures related to the provision of service to that end user. Thus, if SBC counted these "partial circuits" provided by CLECs in the number of circuits lost to competitors, its results would be grossly overinflated.

In addition, the number of buildings served by competitors is misleading for a number of reasons. Major buildings tend to be served by multiple CLECs, so there is likely to be considerable duplication among SBC's figure for the number of buildings served by such competitors.[9] Even if the number of buildings served is not overstated, the number of buildings served by CLECs is miniscule compared to the numbers served by SBC. Although, unsurprisingly, SBC does not disclose the number of buildings it serves, a comparison of CLEC buildings served with the total number of businesses in the relevant MSAs is instructive. Table A below provides this comparison:

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[9] Aside from the likely double count, SBC overstates the number of buildings served by competitors. For example, while it claims that Teleport Communications Group ("TCG") serves 200 buildings in Los Angeles, it in fact serves 144. Similarly, in San Diego, SBC reports that TCG serves 200 buildings; in actuality, TCG serves 129 San Diego buildings.

Table A

MSA	Aggregate Number of Buildings Served by CLECS (according to SBC)	Total Number of Businesses in MSA*
(1) Little Rock, AR	67	10,816
(2) Los Angeles, CA	950	300,294
(3) Sacramento, CA	320	26,854
(4) San Diego, CA	360	46,131
(5) San Francisco, CA	376	47,040
(6) San Jose, CA	135	32,218
(7) St. Louis, MO	100-200	38,574
(8) Reno, NV	Not provided	6,076
(9) Oklahoma City, OK	305	20,426
(10) Austin, TX	220	16,858
(11) Dallas/Ft. Worth, TX	280	88,534
(12) El Paso, TX	50	8,646
(13) Houston, TX	50	67,371
(14) San Antonio, TX	205	24,992
* Source: County and City Data Book 12th ed. 1994, US Dept. of Commerce, Bureau of the Census. These totals are conservative. Estimates from Dun & Bradstreet, which are updated monthly, are as much as 60% higher than the Census data.		

Similarly, SBC's claims about the number of route miles in competitors' networks are substantially exaggerated because SBC appears to include route miles that are used to provide switched access services instead of special access services. Including such numbers obviously skews the results in SBC's favor and overstates the number of route miles that are used for the special access services for which SBC seeks relief.[10]

10 As with the number of buildings served, SBC's numbers also appear to be wrong. For example, SBC claims that TCG has 1,000 route miles in LA; in fact, it has 622 miles. Similarly, while SBC claims that TCG has between 600-800 route miles in Houston, it only has about 430 route miles.

(footnote continued on following page)

Further, SBC's anecdotal claims about business it has lost as a result of current pricing rules are misleading. For example, SBC claims that SWB lost a 1997 RFP submitted by AT&T for 164 DS3 circuits and 142 multiplexers in Dallas as a result of its inability to offer rates other than those contained in its existing tariff.[11] But SBC's purported pricing inflexibility is not the reason for its loss of this business. Rather, AT&T has had a longstanding policy to decrease reliance on monopoly inputs wherever possible. Because MFS was able to accommodate AT&T's request for about 128 of the circuits at issue, AT&T awarded the contract to MFS. Because MFS was unable to expand its capacity to handle the remaining DS3s, AT&T awarded that business to SBC. Indeed, MFS' inability to even meet all of AT&T's demand for services even in a single instance in one MSA for this single contract starkly illustrates the nascent nature of competition for high capacity services.

In light of these flaws, it is unsurprising that SBC's actual market share is much higher than the study suggests. A much more realistic gauge of CLEC's penetration into the high capacity market would be to compare the number of business

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(footnote continued from previous page)

Again a comparison of the number of SBC's and its competitor's route miles is instructive. For example, SBC estimates that competitors have about 6,000 route miles of fiber in the major metropolitan areas in California; by contrast Pacific Bell reported to the FCC that, as of the end of 1997, it has 583,186 fiber miles. SBC also estimates that competitors have about 5,700 fiber miles in the major metropolitan areas in SWB's territory; by contrast, it reported having 1,724,262 fiber miles. See Statistics of Communications Common Carriers, Table 2.10, 1997 Edition.

11 SBC Petition at 23.

lines served by CLECs with that served by SBC. Here, the comparison is striking. In California, for example, CLECs serve fewer than 150,000 business lines using their own facilities (or 2.59% of the total), compared to the approximately 5.8 million business access lines Pacific serves.[12] Further, AT&T's own estimates of the amount of service it is able to purchase from alternative providers paints a much different picture than that advanced by SBCs. Indeed, in California in 1998, 89% of AT&T's expenditures on private lines services went to Pacific Bell (and this figure understates purchases from Pacific Bell because it includes purchases within GTE's service area).[13] Similarly, in SWB's territory, more than 90% of AT&T's 1998 total private line expenses went to SWB. These facts stand in stark contrast to the picture painted by SBC of its competitive position.

Indeed, AT&T has only been able to transition these modest percentages of its high capacity expenditures to other carriers despite its policy to search actively for alternative sources of supply to the BOCs. And the modest levels of penetration by competitive carriers in the MSAs at issue stands in stark contrast to the inroads made by competitors in truly competitive markets, such as the interLATA market. For example, in California, the California PUC authorized intraLATA high capacity competition in 1984. Over that 14 year period, AT&T was able to shift only 10% of its

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12 Affidavit of John F. Sumpter on Behalf of AT&T Communications of California, Inc., Case Nos. R. 93-04-003, et al. (Cal. PUC Apr. 30, 1998).

13 Contrary to what would be expected in a market transitioning toward competition, this figure has not been in a continual decline over the past several years. In 1996, 90% of AT&T's California private line expenses were paid to SBC; despite AT&T's efforts to reduce reliance on monopoly suppliers, in 1997, that percentage increased to 94%.

high capacity services to SBC's competitors; in that same time frame, AT&T's market share of intrastate switched access minutes in California was reduced to roughly 50%.

In addition to overstating the amount of capacity that competitors currently have, SBC also claims that competitors can quickly expand their capacity if necessary,[14] and that competitors can provide high capacity services even to customers that are "miles" away from existing regional networks through collocation in SBC's central offices.[15]

This claim is absurd. As to the more narrow proposition that CLECs can expand through collocation, the Commission is well aware of the difficulties that competitors have had collocating in incumbents' central offices — not the least of which are cost constraints and the unavailability of collocation space.[16] Moreover, even where collocation is available and financially feasible, collocation would not eliminate reliance on essential BOC facilities. SBC would still, in virtually all cases,

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[14] SBC Petition at 27.

[15] SBC Petition at 19.

[16] The numerous problems that competitors have had in trying to collocate in SWB's and Pacific's end offices are well documented. See, e.g., Proposed Solutions of AT&T Communications of California, Inc. and MCI Telecommunications Corporation Regarding Collocation Issues Raised by SBC/Pacific Bell's Draft 271 Application, Docket Nos. R-93-04-003, et al. (Aug. 10, 1998); Motion of Teleport Communications Group, Docket 98-12-068 (Feb. 1998) (requesting procedure for addressing Pac Bell's continued denial of physical collocation requests); Texas PUC Final Staff Report on 271 Collaborative Process, Project No. 16251, at 32-34 (Nov. 18, 1998) (discussing CLEC problems with collocation and noting that timeframes, policies and methods and procedures for ordering and provisioning of collocation must be resolved before SWBT could demonstrate 271 checklist compliance).

control the connection between the central offices where the competition is located to the customer's premises, and will often have to provide facilities between the collocated space and the CLEC's switch or to some other meet point between the CLEC switch and the collocated space.

As to the more general claim that CLECs can quickly expand their existing capacity, the market facts contradict SBC's conclusions. Were it as easy to connect to customers as SBC depicts, then its competitors would not have the modest end user building penetration levels described by SBC in its Petition. The facts are, however, that establishment of connections to customer premises is a time consuming, expensive and difficult proposition, which explains why so few buildings are on CLEC networks in the 14 MSAs at issue, and thus why so few customers today have a genuine competitive choice in high capacity service.

There are many reasons why CLECs have not been able to expand their services into more end user locations in the MSAs at issue. First, establishing a connection into a new building requires the CLEC to conduct negotiations with the landlord to permit the use of their risers, laterals, building entrances, and telephone closets.[17] Although to the best of AT&T's knowledge SBC is not asked to pay fees for such connections, an increasing number of landlords are demanding such payments from

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17 Moreover, building owners are often resistant to granting competitive carriers access to their buildings. See, e.g., Application of Building Owners and Managers Association of California for Rehearing of Decision 98-10-058 (filed Nov. 30, 1998) (arguing, inter alia, that California PUC's decision requiring that competitors have access to buildings wrongfully deprived building owners of their ability to exclude carriers, and thus constitutes a taking of private property).

CLECs.[18] Additionally, the CLEC must make arrangements to connect its existing fiber through new rights-of-way into the building, which may entail crossing public or other rights of way and consequent negotiations with other parties. Finally, the cost of the electronics to terminate a fiber connection into a new building means that such connections are not economically viable unless the CLEC can foresee a significant amount of traffic from that building. Dedicating four fibers (which is usually required to wire a building) to a location that only produces a modest amount of traffic will not be an economically feasible arrangement, which further limits the number of locations to which CLECs can directly extend their fiber networks.

SBC's repeated references to the fact that AT&T and MCI/Worldcom have affiliates with local fiber networks are also misplaced.[19] Obviously, AT&T's affiliation with TCG has not meant that AT&T has migrated all of its services to TCG. Indeed, TCG supplies a very small percentage of AT&T's demand for high capacity services.[20] Moreover, whether a CLEC is affiliated with an IXC or not, it can only provide competing services where its facilities are located, and the CLECs in the MSAs at issue have obtained direct connections to only a tiny proportion of the

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18 See AT&T Comments, September 14, 1998, at 48-52, in Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, CC Docket No. 98-146.

19 E.g., SBC Petition at 13, 20, 30.

20 For example, in Texas, TCG provides 5.4% of AT&T's total demand for DS3s and a mere 0.15% of AT&T's demand for DS1s.

customer locations. Finally, even if it wanted to, AT&T would have difficulty moving facilities to SBC's competitors in places such as Houston, where AT&T's high capacity trunks are hard wired into roughly 50% of SBC's central offices.

On top of these difficulties, SBC has taken steps to prevent competitors from rapidly taking away its customers. SBC's high capacity rates already feature large term discounts, coupled with substantial termination liabilities. Customers seeking low cost services and lacking competitive alternatives thus find themselves locked into long term agreements that they cannot exit. For example, under a current contract that AT&T has with Pacific Bell, if AT&T were to transition all of its DS3s to another carrier, it would incur a $4.17 million termination liability. Under such circumstances, there is no practical way that a competitor could take that contract away from SBC, and thus SBC's "risk" on that contract is virtually eliminated by its high termination liabilities. Significantly, SBC does not discuss the extent to which its base of customers are protected from loss by its high termination liabilities.

Accordingly, the Commission can give no credence to SBC's claim that its competitors are capable of promptly serving even a small portion of its existing high capacity services in the MSAs at issue, much less a majority of those services. The reality is that the competitive market in the MSAs listed in the petition is not sufficiently robust to constrain anti-competitive behavior by SBC.

II. SBC's Petition Does Not Satisfy the Three Part Test For Forbearance Under Section 10

In order to satisfy the first prong of the three part test under Section 10 of the Act, SBC must show that application of the Commission's price cap, tariffing and rate averaging rules is not necessary to ensure that SBC's rates and practices are just, reasonable and not unreasonably discriminatory. These rules are unnecessary only where a carrier does not possess market power. As demonstrated above, that is clearly not the case here. SBC still has substantial market power in all of the MSAs identified in the petition.

Because SBC possesses such market power, it has the ability and incentive to charge unjust and discriminatory rates. The Commission's regulations, thus, must be applied to protect against this result. Without the tariffing requirements, for example, customers would not be able to challenge potentially unlawful rates before they become effective. And SBC already has substantial freedom under the Commission's zone density pricing rules and price cap rules to deaverage rates in more competitive zones and to adjust its rates. As discussed below, SBC has not even taken full advantage of this permitted flexibility. To eliminate the remaining requirements in the face of SBC's continued market power would significantly increase the risk of unlawful and discriminatory rates.

Indeed, the Commission recently rejected a similar request by SBC for more pricing flexibility because of serious concerns about SBC's ability to discriminate and to foreclose competitive entry. In 1997, SBC requested permission to add to its tariffs a new section which would enable it to offer below tariffed pricing only in those situations in which SBC was responding to a competitive bid. In rejecting the transmittal, the Commission stated:

> "Based on the record, we are concerned that Transmittal 2633 may permit SWBT unreasonably to deter or foreclose competitive entry into the markets in which it has a monopoly. As formulated, Transmittal 2633 allows SWBT a virtually unlimited opportunity to preempt new market entrants in its territory by reducing rates to individual customers to which it believes new entrants may

> make offers, without making those rates available to similarly situated customers elsewhere. The threat of such market foreclose is inconsistent with our ultimate goal – competition for the provision of access service and the deregulation of incumbent LEC access services."[21]

Nor has SBC satisfied the second prong of the Commission's three part test: it is clear that regulation of SBC's high capacity services is necessary to protect consumers. Without regulation, SBC could discriminate against certain customers by charging higher rates to those who do not have competitive alternatives and lower prices to those who do.[22]

Finally, it is clear that SBC cannot show that forbearance under these circumstances is consistent with the public interest. Because it retains overwhelming market power, competition will not constrain anti-competitive conduct by SBC. Thus, the public interest would be harmed, not benefited, by forbearance. Moreover, long distance carriers, by necessity, rely heavily on high capacity services by SBC. Given SBC's desire to compete in the long distance market, it should not be given regulatory flexibility while it still controls a monopoly input for that service.

In particular, the public's interest in effectively competitive local exchange and access service markets would be harmed if SBC's petition were granted. SBC has made no attempt to show that it has satisfied the market opening requirements

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21 In re Southwestern Bell Telephone Co., Tariff F.C.C. No. 73, CC Docket No. 97-158, Transmittal No. 2633 (Nov. 14. 1997), petition for reconsideration denied, Memorandum Opinion and Order (Mar. 13, 1998) (hereinafter "Transmittal 2633").

22 Indeed, this was precisely the relief SBC was seeking it the Transmittal 2633 proceeding.

contained in section 251(c) of the Act (and indeed, it could not make such a showing). Deregulating SBC's high capacity services in the MSAs at issue would provide SBC with another incentive to avoid complying with its statutory obligation to open its monopoly by giving it the alternative of obtaining targeted pricing flexibility where it is needed to crush limited competitive inroads by CLECs.

SBC's proposal also conflicts with the Commission's "market based" approach to access reform, and therefore contravenes the public interest. The Commission has relied on the existence of competition to bring about reduced access rates for customers in general, rather than reductions for only a select or narrow market segment.[23] If SBC is permitted to further deaverage access rates and target reductions to a limited group of large business customers, it would have little, if any, incentive to lower access prices for the vast majority of customers. Because the access market is characterized by prices that greatly exceed costs, the main objective of regulation ought to be to reduce prices to all customers rather than to a small subset of individual customers. SBC's piecemeal approach, however, is contrary to this objective.[24]

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23 Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing; End User Common Line Charges, First Report and Order (CC Docket Nos. 96-262, 94-1, 91-213, 95-72), FCC 97-158, 12 FCC Rcd. 15982 (released May 16, 1997), ¶¶ 258-274.

24 In the access reform proceeding, the Commission is currently considering whether to expand the range of access pricing generally. SBC's request should be considered, if at all, in the context of that larger proceeding.

III. SBC HAS FAILED TO UTILIZE THE PRICING FLEXIBILITY THAT THE COMMISSION ALREADY ALLOWS.

The Commission already has provided ILECs like SBC with a wide variety of pricing options that can be used in offering high capacity services. Given that SBC is now requesting substantial new pricing flexibility, one would presume that it has exercised the full measure of the pricing options the Commission has already extended to it, before seeking even more. The fact of the matter is, however, that SBC has not done so.

LECs have the ability to file rates that are below their price caps and to geographically deaverage their rates under the FCC's zone density pricing rules. However, SWB has not filed rates for transport services below its cap in the trunking basket that includes high capacity services. Similarly, Pacific Bell is only slightly below its cap in the same trunking basket. Moreover, while a few of their transport rates vary among zones, the vast majority of SBC's and Pacific Bell's transport rates are not geographically deaveraged. Thus, neither has taken full advantage of the pricing flexibility currently available to them. In light of this, SBC's claims that it has a pressing need for even broader authority are unfounded.

CONCLUSION

The SBC Petition suffers from numerous methodological and factual flaws, and fails to meet the legal standard for forbearance. Accordingly, it should be denied.

Respectfully submitted,

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January 21, 1999

CERTIFICATE OF SERVICE

I, Karen Kotula, do hereby certify that, on January 21, 1999, a copy of the foregoing "AT&T Opposition" was served by U.S. first class mail, postage prepaid, upon the following:

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Karen Kotula